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COCHENOUR WILLANS

G O L D M I N E S , L I M I T E D

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ANNUAL REPORT

COCHENOUR WILLANS GOLD MINES, LIMITED
and its subsidiaries, Annco Mines Limited and Wilmar Mines Limited

Comparative financial and operating data are presented for the three months ended March 31, 1969,
compared with the same period in 1968.

Consolidated Statement of Income

	January 1 to March 31 1969	1968
Tons Milled	21,008	26,428
Gold — Fine ounces produced	5,435	6,163
Bullion Revenue	\$ 207,307	\$ 238,015
Operating Expenses	304,771	345,340
Less: Cost Aid estimated EGMA	55,846	63,328
	\$ 248,925	\$ 282,012
	(41,618)	(43,997)
Other Expenses		
Depreciation	31,629	36,352
Amortization of Deferred Development	46,288	35,914
Exploration & Prospecting	25,316	26,269
	103,233	98,535
Deduct Other Income	5,320	574
	97,913	97,961
Loss before undernoted item	139,531	141,958
Losses of subsidiary companies applicable to minority interest	34,026	64,311
LOSS FOR PERIOD	\$ 105,505	\$ 77,647

Consolidated Statement of Source and Application of Funds

	January 1 to March 31 1969	1968
SOURCE OF FUNDS		
Capital stock issued	\$ 489,875	
APPLICATIONS OF FUNDS		
Operations		
Loss for period	105,505	77,647
Minority interest in losses of subsidiaries	34,026	64,311
	139,531	141,958
Deduct		
Depreciation	31,629	36,352
Amortization of Deferred Development	46,288	35,914
	77,917	72,266
	61,614	69,692
Advances to unconsolidated subsidiaries	13,335	1,489
Additions to fixed assets	7,506	4,414
Additional deferred development	—	5,981
	82,455	81,576
INCREASE (DECREASE) IN WORKING CAPITAL	407,420	(81,576)
WORKING CAPITAL AT BEGINNING OF PERIOD	253,480	378,541
WORKING CAPITAL AT END OF PERIOD	\$ 660,900	\$ 296,965

COCHENOUR WILLANS GOLD MINES, LIMITED

<i>Directors</i>	EDWARD C. COCHENOUR, <i>Toronto, Ont.</i> J. EDWIN J. FAHLGREN, <i>Cochénour, Ont.</i> FREDERICK J. MILLS, <i>Hamilton, Ont.</i> MURDOCK C. MOSHER, <i>Toronto, Ont.</i> GEORGE T. SMITH, <i>Toronto, Ont.</i> SAMUEL J. ZACKS, <i>Toronto, Ont.</i>
<i>Officers</i>	E. C. COCHENOUR, <i>Chairman of the Board</i> J. E. J. FAHLGREN, <i>President</i> S. J. ZACKS, <i>Vice-President</i> F. J. MILLS, <i>Secretary-Treasurer</i> B. C. LEMON, <i>Assistant Secretary</i>
<i>General Manager</i>	J. E. J. FAHLGREN, <i>Cochénour, Ont.</i>
<i>Chief Geologist</i>	D. A. HUTTON, B.Sc., P.ENG., <i>Cochénour, Ont.</i>
<i>General Superintendent</i>	D. H. COGHILL, <i>Cochénour, Ont.</i>
<i>Registrar & Transfer Agents</i>	CANADA PERMANENT TRUST COMPANY 1901 Yonge Street Toronto 295, Ontario
<i>Bankers</i>	CANADIAN IMPERIAL BANK OF COMMERCE Toronto and Balmertown, Ontario
<i>Auditors</i>	THORNE, GUNN, HELLIWELL AND CHRISTENSON Fort William, Ontario
<i>Solicitors</i>	FRASER & BEATTY 320 Bay Street Toronto 105, Ontario
<i>Executive & Mine Office</i>	Cochénour, Ontario

COCHENOUR WILLANS GOLD MINES, LIMITED

Report of the Directors

To the Shareholders of
Cochenour Willans Gold Mines, Limited

The report for the year ended December 31, 1968 includes the Balance Sheet, Statements of Income and Retained Earnings and Statements of Source and Application of Funds consolidated with those of the subsidiary companies Annco Mines Limited, and Wilmar Mines Limited, and the Auditors' Report thereon. Also included is the Report of the General Manager covering the operations of the mines and exploration activities in which your company participated and the financial statements of the four subsidiaries of your company with the related Auditors' Reports.

Production and Income

Consolidated gross production for the year was \$920,706 from 23,995 ounces of gold and 7,150 ounces of silver, of which the parent company's production was \$313,669, that of Annco Mines Limited \$359,206 and that of Wilmar Mines Limited \$247,831. Applications for Emergency Gold Mining Assistance have been estimated to be \$85,217 for the parent company, \$97,582 for Annco Mines Limited and \$63,752 for Wilmar Mines Limited.

Charges for use of plant service to Annco Mines Limited by the parent company were \$97,727 and to Wilmar Mines Limited were \$70,045.

Profit of the parent company before providing for Depreciation, Deferred Development and Exploration was \$19,455. Loss of Annco Mines Limited before amortization of Deferred Development was \$12,687 and loss of Wilmar Mines Limited before amortization of Deferred Development and Depreciation was \$79,362.

Financing

In January, 1969 your company entered into an agreement with Siscoe Mines Limited whereby it sold 300,000 shares from its unissued capital for a total consideration of \$480,000 in cash. This provided your company with additional funds for exploration and development.

Outlook

COCHENOUR: The majority of the developed ore has been mined. Diamond drilling on the 20th and 22nd levels in the "04" area where the chert and north/south structures are located have returned good values. Due to the erratic nature of this ore,

COCHENOUR WILLANS GOLD MINES, LIMITED

however, additional drifting and exploration is necessary to assess the full import of these ores that carry free gold in fractures and some arsenopyrite.

ANNCO: Development of the Annco ore zone in the talc on any deeper horizons, requires 3000 feet of crosscutting and is therefor contingent upon the success of the Cochenour exploration program in the "04" area to partly offset the cost.

WILMAR: Development to date on the Wilmar has been encouraging and the productivity of this mine is now critical to the stability of the overall operations. The proposed development program for 1969 will provide several years ore.

COSTS: An unknown factor respecting future costs is presented by the unrelenting inflation that continues to force costs upward across the board.

Outside Exploration

Your company is actively engaged in a broad program of outside exploration in search for new deposits of economic minerals throughout the Red Lake/Confederation Lake mining district and in Northern Saskatchewan. The emphasis we are

placing on exploration is substantiated by the Trout Bay find and the Selco find in Confederation Lake.

Appreciation

Your Directors express their appreciation to the mine staff and employees for the effort and commitment they have exemplified throughout the year.

We express to the shareholders our sincere thanks for their continued loyalty, patience and confidence.

On behalf of the Board,

E. C. COCHENOUR,
Chairman of the Board.

J. E. J. FAHLGREN,
President.

May 7th, 1969,
COCHENOUR, Ontario.

COCHENOUR WILLANS

(Incorporated in
and its subsidiaries, Annco Mines Limited)

Balance Sheet

(with comparative figures)

	ASSETS			
	Parent Company		Consolidated	
	1968	1967	1968	1967
CURRENT ASSETS				
Cash		\$ 4,738	\$ 5,093	\$ 9,629
Bullion	\$ 82,988	87,069	82,988	87,069
Estimated Emergency Gold Mining Assistance receivable	24,564	34,281	91,481	127,077
Marketable securities, at cost (quoted market value 1968 — \$50,022; 1967 — \$37,420)	46,642	46,642	46,642	46,642
Accounts receivable and accrued interest	24,348	13,686	24,348	13,786
Advances to subsidiary companies (note 1)	66,917	92,796		
Materials and supplies, at cost	271,741	286,401	271,741	286,401
Prepaid expenses	7,518	22,382	7,518	22,382
	<u>524,718</u>	<u>587,995</u>	<u>529,811</u>	<u>592,986</u>
INVESTMENT IN AND ADVANCES TO SUBSIDIARY COMPANIES (note 1)	1,631,985	1,642,996	268,979	263,918
OTHER INVESTMENTS, at cost (note 2)	53,221	53,221	53,221	53,221
BUILDINGS, MACHINERY AND EQUIPMENT, at cost less accumulated depreciation (note 3)	835,941	968,579	844,682	978,863
MINING CLAIMS AND LICENSES, at cost	246,426	250,426	347,633	351,633
DEFERRED DEVELOPMENT, at cost less amortization (note 4)	76,194	124,248	1,603,601	1,766,399
INCORPORATION AND ORGANIZATION EXPENSES			3,596	3,596
	<u>\$3,368,485</u>	<u>\$3,627,465</u>	<u>\$3,651,523</u>	<u>\$4,010,616</u>

AUDITOR'S REPORT

To the Shareholders of
Cochenour Willans Gold Mines, Limited

We have examined the balance sheets of Cochenour Willans Gold Mines Limited, parent company, and of Cochenour Willans Gold Mines, Limited and its subsidiaries Annco Mines Limited and Wilmar Mines Limited as at December 31, 1968 and 1967, and the related statements of income, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Fort William, Canada,
February 4, 1969.

OLD MINES, LIMITED

(Incorporated in the laws of Ontario)

Annco Mines Limited and Wilmar Mines Limited

December 31, 1968

(December 31, 1967)

LIABILITIES

CURRENT LIABILITIES	Parent Company		Consolidated	
	1968	1967	1968	1967
Bank advances, secured by bullion and marketable securities	\$ 58,872		\$ 58,872	
Accrued wages payable	38,018	\$ 40,036	38,018	\$ 40,036
Accounts payable and accrued liabilities	83,533	75,451	86,553	76,701
Deposits by employees on houses	72,888	77,708	72,888	77,708
Advances from Martin-McNeely Mines Limited			20,000	20,000
	<u>253,311</u>	<u>193,195</u>	<u>276,331</u>	<u>214,445</u>
ACCUMULATED TAX REDUCTIONS APPLICABLE TO FUTURE YEARS		74,300		74,300
MINORITY INTEREST IN ANNCO MINES LIMITED AND WILMAR MINES LIMITED			600,419	702,302

SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 5)				
Authorized				
4,000,000 Shares, par value \$1 each				
Issued				
3,584,655 Shares	3,584,655	3,584,655	3,584,655	3,584,655
Deduct discount thereon (net)	1,028,445	1,028,445	1,028,445	1,028,445
	<u>2,556,210</u>	<u>2,556,210</u>	<u>2,556,210</u>	<u>2,556,210</u>
RETAINED EARNINGS	558,964	803,760	558,964	803,760
	<u>3,115,174</u>	<u>3,359,970</u>	<u>3,115,174</u>	<u>3,359,970</u>
LESS EQUITY CONTRIBUTED TO MINORITY INTEREST IN ANNCO MINES LIMITED AND WILMAR MINES LIMITED			340,401	340,401
	<u>3,115,174</u>	<u>3,359,970</u>	<u>2,774,773</u>	<u>3,019,569</u>
	<u>\$3,368,485</u>	<u>\$3,627,465</u>	<u>\$3,651,523</u>	<u>\$4,010,616</u>

Approved by the Board

E. C. COCHENOUR, Director.

J. E. J. FAHLGREN, Director.

PORT

In our opinion these financial statements present fairly the financial positions of Cochenour Willans Gold Mines, Limited, parent company, and of Cochenour Willans Gold Mines, Limited and its subsidiaries Annco Mines Limited and Wilmar Mines Limited as at December 31, 1968, and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

THORNE, GUNN, HELLIWELL & CHRISTENSON,
Chartered Accountants.

COCHENOUR WILLANS GOLD MINES, LIMITED
and its subsidiaries, Annco Mines Limited and Wilmar Mines Limited

Statement of Income

Year ended December 31, 1968
(With comparative figures for 1967)

	Parent Company		Consolidated	
	1968	1967	1968	1967
REVENUE				
Bullion production	\$ 313,669	\$ 621,109	\$ 920,706	\$1,280,650
OPERATING EXPENSES				
Development	56,578	155,093	66,639	243,919
Mining	282,507	547,996	717,380	975,948
Milling	124,695	196,879	284,363	330,889
Shipping and marketing	2,180	5,134	6,114	11,458
Mine general	62,328	147,770	142,133	244,623
Administrative	21,146	33,066	24,953	40,186
Directors' fees		750	500	1,425
	549,434	1,086,688	1,242,082	1,848,448
Less estimated Emergency Gold Mining Assistance	85,217	168,521	246,551	345,595
	464,217	918,167	995,531	1,502,853
	150,548	297,058	74,825	222,203
OTHER INCOME	2,231	8,291	2,231	8,291
	148,317	288,767	72,594	213,912
OTHER EXPENSES				
Depreciation	147,281	170,587	148,824	170,587
Amortization of deferred development	48,054	48,054	180,038	173,899
Exploration and prospecting	30,786	24,023	30,786	24,023
	226,121	242,664	359,648	368,509
Less charges to subsidiaries for use of plant ..	167,772	161,299		
	58,349	81,365	359,648	368,509
Loss before undernoted items	206,666	370,132	432,242	582,421
Parent company's portion of losses of subsidiaries	123,693	116,740		
Losses of subsidiaries applicable to minority interest ...			101,883	95,549
LOSS FOR THE YEAR	\$ 330,359	\$ 486,872	\$ 330,359	\$ 486,872

COCHENOUR WILLANS GOLD MINES, LIMITED
and its subsidiaries, Annco Mines Limited and Wilmar Mines Limited

Statements of Retained Earnings

Year ended December 31, 1968
(With comparative figures for 1967)

	<u>Parent Company</u>		<u>Consolidated</u>	
	<u>1968</u>	<u>1967</u>	<u>1968</u>	<u>1967</u>
BALANCES AT BEGINNING OF YEAR	\$ 803,760	\$1,117,692	\$ 803,760	\$1,117,692
ADD				
Adjustment of estimated Emergency Gold Mining Assistance of previous year, Annco Mines Limited		36,431		36,431
Adjustments of prior years' earnings	11,263	22,809	11,263	22,809
Adjustment of accumulated tax reductions applicable to future years	74,300	113,700	74,300	113,700
	<u>889,323</u>	<u>1,290,632</u>	<u>889,323</u>	<u>1,290,632</u>
DEDUCT loss for the year	330,359	486,872	330,359	486,872
BALANCES AT END OF YEAR	<u>\$ 558,964</u>	<u>\$ 803,760</u>	<u>\$ 558,964</u>	<u>\$ 803,760</u>

COCHENOUR WILLANS GOLD MINES, LIMITED
and its subsidiaries, Annco Mines Limited and Wilmar Mines Limited

Statement of Source and Application of Funds

Year ended December 31, 1968

(With comparative figures for 1967)

	Parent Company		Consolidated	
	1968	1967	1968	1967
SOURCE OF FUNDS				
Sale of surface rights	\$ 4,000		\$ 4,000	\$ 100
Sale of other investments		\$ 51,740		51,740
Adjustment of prior year's earnings	11,263	22,809	11,263	22,809
Adjustment of Emergency Gold Mining Assistance of previous year				66,181
Sale of buildings, machinery and equipment	16,798	9,185	16,798	9,185
	<u>32,061</u>	<u>83,734</u>	<u>32,061</u>	<u>150,015</u>
APPLICATION OF FUNDS				
Operations				
Loss for the year	330,359	486,872	330,359	486,872
Minority interest in losses of subsidiaries			101,883	95,549
	<u>330,359</u>	<u>486,872</u>	<u>432,242</u>	<u>582,421</u>
Deduct				
Depreciation	147,281	170,587	148,824	170,587
Amortization of deferred development ...	48,054	48,054	180,038	173,899
Parent Company's portion of losses of subsidiaries	123,693	116,740		
	<u>319,028</u>	<u>335,381</u>	<u>328,862</u>	<u>344,486</u>
Funds applied to operations	11,331	151,491	103,380	237,935
Additions to buildings, machinery and equipment ..	31,441	56,105	31,441	56,105
Additional deferred development			17,240	5,496
Advances to subsidiary companies				
Annco Mines Limited	13,497	5,288		
Wilmar Mines Limited	94,124	4,619		
Consolidated Marcus Gold Mines Limited	2,755	1,801	2,755	1,801
Cochenour Explorations Limited	2,306	25,654	2,306	25,654
	<u>155,454</u>	<u>244,958</u>	<u>157,122</u>	<u>326,991</u>
DECREASE IN WORKING CAPITAL	123,393	161,224	125,061	176,976
WORKING CAPITAL AT BEGINNING OF YEAR	394,800	556,024	378,541	555,517
WORKING CAPITAL AT END OF YEAR	<u>\$ 271,407</u>	<u>\$ 394,800</u>	<u>\$ 253,480</u>	<u>\$ 378,541</u>

COCHENOUR WILLANS GOLD MINES, LIMITED
and its subsidiaries, Annco Mines Limited and Wilmar Mines Limited

Notes to Financial Statements

Year ended December 31, 1968

I. INVESTMENT IN AND ADVANCES TO SUBSIDIARY COMPANIES

Parent Company	1968	1967
Shares, at cost less provision for losses		
Annco Mines Limited	\$ 479,998	\$ 479,998
Wilmar Mines Limited	889,995	889,995
Consolidated Marcus Gold Mines Limited	81,784	81,784
Cochenour Explorations Limited	121,439	121,439
	<u>1,573,216</u>	<u>1,573,216</u>
Deduct provision for losses, Annco Mines Limited and Wilmar Mines Limited	396,325	272,632
	<u>1,176,891</u>	<u>1,300,584</u>
Advances		
Annco Mines Limited	241,818	263,764
Wilmar Mines Limited	214,437	110,749
Consolidated Marcus Gold Mines Limited	37,796	35,041
Cochenour Explorations Limited	27,960	25,654
	<u>522,011</u>	<u>435,208</u>
Deduct portion included in current assets	66,917	92,796
	<u>455,094</u>	<u>342,412</u>
	<u>\$1,631,985</u>	<u>\$1,642,996</u>
Consolidated		
Shares, at cost		
Consolidated Marcus Gold Mines Limited	\$ 81,784	\$ 81,784
Cochenour Explorations Limited	121,439	121,439
	<u>203,223</u>	<u>203,223</u>
Advances		
Consolidated Marcus Gold Mines Limited	37,796	35,041
Cochenour Explorations Limited	27,960	25,654
	<u>65,756</u>	<u>60,695</u>
	<u>\$ 268,979</u>	<u>\$ 263,918</u>

It is not considered desirable to consolidate the accounts of Consolidated Marcus Gold Mines Limited and Cochenour Explorations Limited with those of the company as they are non-operating and have substantial minority interests.

COCHENOUR WILLANS GOLD MINES, LIMITED
and its subsidiaries, Annco Mines Limited and Wilmar Mines Limited

NOTES TO FINANCIAL STATEMENTS (Continued)

Year ended December 31, 1968

Annco Mines Limited

At December 31, 1968, the company owned 1,600,000 shares of Annco Mines Limited.

Wilmar Mines Limited

At December 31, 1968, the company and its subsidiary, Annco Mines Limited, owned 1,674,331 shares of Wilmar Mines Limited, of which 1,600,000 shares were owned by the company.

Consolidated Marcus Gold Mines Limited

Under the terms of an agreement dated January 17, 1966, the company is committed to expend \$25,020 (of which \$20,563 had been expended as at December 31, 1968) on exploration and development of the property of Consolidated Marcus Gold Mines Limited within approximately one year, for which it is to receive 41,700 shares of the company. It is expected that this agreement will be extended.

At December 31, 1968 the company owned or was entitled to receive 1,773,272 free shares of Consolidated Marcus Gold Mines Limited and a further 249,995 shares held in escrow, to be released when the company has caused Consolidated Marcus Gold Mines to bring its mining claims into production.

Cochenour Explorations Limited

Under the terms of an agreement dated January 21, 1966, the company is committed to loan monies up to a maximum of \$127,500 to Cochenour Explorations Limited should the board of directors of Cochenour Explorations Limited determine that the exploration properties warrant the expenditure of additional monies in searching for minerals. Loans would be requested from the shareholders of Cochenour Explorations Limited in proportion to their shareholdings. Default on such a request could result in the forfeiture of all the company's shares in Cochenour Explorations Limited.

At December 31, 1968, the company owned 255,000 shares of Cochenour Explorations Limited and had advanced \$25,500 under the terms of the agreement. Current advances amounted to \$2,460 resulting in total advances of \$27,960.

Subsequent to December 31, 1968, Cochenour Explorations Limited has requested an additional \$25,500 from the company.

2. OTHER INVESTMENTS	1968	1967
Coin Lake Gold Mines Limited shares	\$ 24,571	\$ 24,571
Bonds deposited under power contract	9,925	9,925
Miscellaneous	18,725	18,725
	<u>\$ 53,221</u>	<u>\$ 53,221</u>
3. BUILDINGS, MACHINERY AND EQUIPMENT	1968	1967
Parent company		
Buildings	\$1,999,378	\$1,987,099
Less accumulated depreciation	1,549,578	1,471,114
	<u>449,800</u>	<u>515,985</u>
Machinery and equipment	1,972,611	1,970,921
Less accumulated depreciation	1,586,470	1,518,327
	<u>386,141</u>	<u>452,594</u>
	<u>\$ 835,941</u>	<u>\$ 968,579</u>

COCHENOUR WILLANS GOLD MINES, LIMITED
and its subsidiaries, Annco Mines Limited and Wilmar Mines Limited

NOTES TO FINANCIAL STATEMENTS (Continued)
Year ended December 31, 1968

	<u>1968</u>	<u>1967</u>
Consolidated		
Buildings	1,999,378	1,987,099
Less accumulated depreciation	1,549,578	1,471,114
	<u>449,800</u>	<u>515,985</u>
Machinery and equipment	1,982,895	1,981,205
Less accumulated depreciation	1,588,013	1,518,327
	<u>394,882</u>	<u>462,878</u>
	<u>\$ 844,682</u>	<u>\$ 978,863</u>
 4. DEFERRED DEVELOPMENT		
Parent company	<u>1968</u>	<u>1967</u>
Cost	\$ 240,268	\$ 240,268
Less amortization	164,074	116,020
	<u>\$ 76,194</u>	<u>\$ 124,248</u>
Consolidated		
Cost	2,168,698	2,151,459
Less amortization	565,097	385,060
	<u>\$1,603,601</u>	<u>\$1,766,399</u>

5. CAPITAL STOCK

The following options to purchase shares of the capital stock of the company are outstanding at December 31, 1968

15,000 Shares to an officer at \$2.50 per share, expiry date June 30, 1969.

4,000 Shares to officers at \$1.25 per share until January 15, 1969 and then \$1.50 per share until December 15, 1969.

46,000 Shares to employees at \$1.25 per share until January 15, 1969 and \$1.50 per share thereafter until December 15, 1969. Subsequent to December 31, 1968, 7,900 shares have been subscribed for at \$1.25 per share.

Subsequent to December 31, 1968 300,000 shares of the company's capital stock have been subscribed for at \$1.60 per share.

6. STATUTORY INFORMATION

Direct remuneration paid to directors and senior officers (as defined by The Corporations Act, Ontario) of Cochenour Willans Gold Mines, Limited for the current year amounted to \$71,379.

COCHENOUR WILLANS GOLD MINES, LIMITED

Report of the General Manager

To the Chairman of the Board and Directors,
Cochenour Willans Gold Mines, Limited,
TORONTO, Ontario.

Gentlemen:

This consolidated report covering the operations of your company and its partly owned subsidiaries, Annco Mines Limited and Wilmar Mines Limited, for the year 1968 is submitted for your consideration.

PRODUCTION

99,630 tons of ore were milled producing 23,995.194 fine ounces of gold and 7,149.560 fine ounces of silver. The total value of this bullion was \$920,706 for an average recovery of \$9.24 per ton milled. The price received for gold averaged \$37.69 Canadian per fine ounce and for silver \$2.29 per ounce. All bullion was shipped to the Royal Canadian Mint.

Your Company and its subsidiaries qualified for Emergency Gold Mining Assistance. Total income estimated to be received under the provisions of this Act is \$246,551 or \$10.27 per ounce of gold.

The actual production and estimate of E.G.M.A. income for each mine is as follows:

	Tons	Gold Ounces	Silver Ounces	Total Value
Cochenour Willans	43,690	8,293.582	414.660	\$ 313,669
Annco	27,922	9,497.039	474.850	359,206
Wilmar	28,018	6,204.573	6,260.050	247,831
	<u>99,630</u>	<u>23,995.194</u>	<u>7,149.560</u>	<u>\$ 920,706</u>

E.G.M.A. (Cost Aid)

Cochenour Willans	\$ 85,217
Annco	97,582
Wilmar	63,752
	<u>\$ 246,551</u>

ALL TIME PRODUCTION

	Period	Tons	Recovered Grade per ton		Value
			Gold	Value	
Cochenour Willans	1939-1968	2,081,930	.536	19.64	\$40,896,761
Annco	1965-1968	120,032	.376	14.23	1,707,605
Wilmar	1967-1968	36,540	.229	9.22	336,907
		<u>2,238,502</u>			<u>\$42,941,273</u>

COSTS:

Increases in basic wage rates averaging approximately five percent, plus increased cost of items of supplies and services, including explosives, mill reagents and steel products affected costs. Efficiencies and economies were effective at the same time by recording further reductions in the cost per ton milled as compared with 1967 and previous years.

COCHENOUR WILLANS GOLD MINES, LIMITED

SCHEDULES OF OPERATING COSTS

	1968			1967
	Total	Per Ton Milled	Per Ounce	Per Ton Milled
<u>COCHENOUR OPERATION</u>				
Tons Milled		43,690		71,434
Development	\$ 56,578	\$ 1.295	\$ 6.822	\$ 2.171
Mining	282,507	6.466	34.063	7.671
Milling	124,695	2.854	15.035	2.756
General and Administrative	83,474	1.911	10.065	2.542
Marketing	2,180	.050	.263	.072
TOTAL OPERATING COSTS	\$ 549,434	\$ 12.576	\$ 66.248	\$ 15.212
Deduct — Est. E.G.M.A.	85,217	1.951	10.275	2.359
	<u>\$ 464,217</u>	<u>\$ 10.625</u>	<u>\$ 55.973</u>	<u>\$ 12.853</u>

ANNCO OPERATION

Tons Milled		27,922		39,924
Development	\$ 5,695	\$.204	\$.600	\$ 2.203
Mining	242,040	8.669	25.486	9.218
Milling	79,697	2.854	8.392	2.760
General and Administrative	41,838	1.498	4.405	2.126
Marketing	2,478	.089	.261	.123
TOTAL OPERATING COSTS	\$ 371,748	\$ 13.314	\$ 39.144	\$ 16.430
Deduct — Est. E.G.M.A.	97,582	3.495	10.275	3.882
	<u>\$ 274,166</u>	<u>\$ 9.819</u>	<u>\$ 28.869</u>	<u>\$ 12.548</u>

WILMAR OPERATION

Tons Milled		28,018		8,522
Development	\$ 4,366	\$.156	\$.704	\$.101
Mining	192,833	6.882	31.079	7.034
Milling	79,971	2.854	12.889	2.796
General and Administrative	42,274	1.509	6.813	2.318
Marketing	1,456	.052	.235	.166
TOTAL OPERATING COSTS	\$ 320,900	\$ 11.453	\$ 51.720	\$ 12.415
Deduct — Est. E.G.M.A.	63,752	2.275	10.275	2.593
	<u>\$ 257,148</u>	<u>\$ 9.178</u>	<u>\$ 41.445</u>	<u>\$ 9.822</u>

COCHENOUR WILLANS GOLD MINES, LIMITED

DEVELOPMENT:

The following table outlines all development work completed during the year 1968:

	<u>Drifts</u>	<u>Crosscuts</u>	<u>Waste Pass</u>	<u>Raises</u>	<u>Stations</u>	<u>Total</u>
<u>COCHENOUR</u>						
Level						
2nd	—	—	—	81	—	81
3rd	50	—	—	153	—	203
15th	144	—	—	—	—	144
16th	—	—	—	45	—	45
19th	87	—	—	—	—	87
20th	269	—	—	209	—	478
TOTAL COCHENOUR	<u>550</u>	<u>—</u>	<u>—</u>	<u>488</u>	<u>—</u>	<u>1,038</u>
<u>ANNCO</u>						
18th	44	—	—	—	—	44
19th	—	—	—	38	—	38
TOTAL ANNCO	<u>44</u>	<u>—</u>	<u>—</u>	<u>38</u>	<u>—</u>	<u>82</u>
<u>WILMAR</u>						
19th	—	*712	—	—	119	831
20th	—	—	*87	—	—	87
TOTAL WILMAR	<u>—</u>	<u>712</u>	<u>87</u>	<u>—</u>	<u>119</u>	<u>918</u>
TOTAL DEVELOPMENT	<u>594</u>	<u>712</u>	<u>87</u>	<u>526</u>	<u>119</u>	<u>2,028</u>

* These items deferred.

DIAMOND DRILLING:

Cochenour Underground	18,225 feet
Annco — Underground	3,155 feet
— Backfill	142 feet
Wilmar — Underground	3,169 feet
— Backfill	717 feet
	<u>25,408 feet</u>

MINING:

The following table summarizes the ore drawn for milling during the year from the individual mines.

	MINE SOURCE OF ORE	%	Grade
	Tons	Total Tons	Ozs. Au. Per Ton
<u>COCHENOUR MINE</u>			
Upper Levels	11,064	11.1	0.306
West Area	32,626	32.8	0.188
	43,690	43.9	0.218
ANNCO MINES	27,922	28.0	0.368
WILMAR MINE	28,018	28.1	0.249
TOTAL ALL PROPERTIES	<u>99,630</u>	<u>100.0</u>	<u>0.269</u>

COCHENOUR WILLANS GOLD MINES, LIMITED

Ore drawn from the Cochenour Mine was supplied by fifty-four stopes and ten development headings. Ore drawn from the Annco Mine was supplied by twenty stopes and one development heading. Ore drawn from the Wilmar Mine was supplied by seven stopes and one development heading.

MILLING:

Results of the milling operations are set out below with comparative figures of the preceding year.

	1968	1967
Tons Milled	99,630	119,880
% Operating Time of Total Time	93.21%	94.80%
Average Daily Tons Milled	272	328
Average Gold Assay of Head-Troy Ounces	0.269	0.316
Average Gold Assay of Tails-Troy Ounces	0.028	0.036
Percentage Extraction	89.59%	88.66%

CAPITAL EXPENDITURES:

Net capital expenditures for the year totalled \$13,969. No major equipment was purchased. The expenditure mainly covers improvements and additions to housing for rental.

THE COCHENOUR MINE:

The mine continued to provide the majority of the tonnage supplied to the mill during 1968, but at a much reduced rate and grade than in previous years. This reduction results from the depletion of the developed ore on the Cochenour, and it can be expected that a further decline from Cochenour will be noted in 1969.

The upper level "clean up" program was increased during the year to compensate for depletion of the ore on lower levels. Several small blocks were discovered which are continuing to produce at a modest rate and grade. Diamond drilling continues to search for these blocks on the upper levels.

The chert and north-south structures that grade between 0.15 and 0.25 ounces gold per ton, provided most of the ore supplied by the Cochenour mine in 1968. These structures were under development on the 19th and 20th levels during 1968 and the program continues; this is known as the "04" area. Diamond Drilling confirms continuity to the 22nd level. The cut-off grade in these structures for low cost mining blocks is calculated to be 0.16 ounces gold per ton, which grade of ore can be economic only if the overall operation is at full capacity and the fixed costs are reduced to a minimum per ton distribution as a result.

In the west mine our diamond drilling program has been inconclusive. Values and arsenopyrite mineralization are present, but so far have been too erratic to make ore. This area will be investigated further by drilling.

ANNCO MINE:

Production from this property during 1968 totalled 27,922 tons grading 0.368 ounces gold per ton, representing 76.3 tons per day and 28% of the ore milled by the Cochenour mill. In 1967 Annco shipped 39,924 tons grading 0.414 ounces gold per ton.

Ore developed and available for mining above the 2200 level is calculated to be approximately 50,000 tons grading 0.40 ounces gold per ton.

COCHENOUR WILLANS GOLD MINES, LIMITED

Exploration for down dip extension of the talcose ore zone below the 2200 level has established the mineralized zone to a depth of at least 175 feet below this level. The next horizon (2350) would require 3,000 feet of crosscutting and drifting to open up the ore zone, the cost of which is prohibitive for the one zone. Cochenour are exploring the "04" chert and north-south structures on the 2200 and if further depth work is warranted, consideration will be given to drive the 2350 crosscut for the mining of the Annco and Cochenour structures.

THE WILMAR MINE:

The Wilmar mine increased its production substantially during 1968 and is expected to provide more than 50% of the mill feed to the Cochenour mill in 1969. Production was 28,018 tons grading 0.249 ounces gold per ton during 1968.

1968 Development included the following:

- (1) Completion of the waste and/or ore pass from the 2050 level to the 1900.
- (2) Grizzly installations on the 2050 and 1900 level dumps.
- (3) Station slashing on the 1900 level.
- (4) Crosscut drifting on the 1900 level for 712 feet.

The drifting program continued in early 1969 until the No. 6 East ore zone was reached. Stope preparation on this ore block is underway.

Mining operations progressed on the 1300 and 2050 levels. The stoping blocks are of good dimensions and mining costs continue to improve. Hydraulic classified tailings are being used for backfill in the 2050 6E stope, while other stopes are being mined by shrinkage methods. Backfill stoping, being of a cyclic nature, results in mill feed shortages when only one stope is mined by this method. The new 1900 level production will alleviate this problem. An in-stope load haul dump unit has been purchased to provide greater efficiency in the movement of the ore, over slusher-scraping in the wide Wilmar ore bodies, and is expected to be in operation on the 2050 level May 1st. A similar unit will be considered for the 1900 level.

Diamond drilling has indicated substantial tonnages of ore on the Wilmar. Development to date has been up to expectations and the increased productivity of this property is expected to provide the necessary tons required for the overall stability of the operation.

New development proposed for 1969 includes:

- (1) Ore development raise in the 6 East ore block from the 1900 level to the 1750 level horizon.
- (2) Waste pass/ore pass set-up from the 2050 loading pocket to the 1900 level.
- (3) Pass system from the 1900 level through to the 1450 level to provide facility for opening up the 1750, 1600 and 1450 levels.
- (4) Drift development on the 1750 and 1400 horizons to the East.

The proposed 1969 development program will provide several years of ore at the proposed extraction rates of 50,000 to 60,000 tons per year. Large tonnages of low grade material grading 0.11 to 0.15 ounces gold per ton have been outlined in the west area of the property and should the price of gold be appreciably increased in the future, the mine would provide ore for a much larger mining operation.

THE CONSOLIDATED MARCUS EXPLORATION:

No exploration was undertaken on this property during 1968.

COCHENOUR WILLANS GOLD MINES, LIMITED

OUTSIDE EXPLORATION:

COCHENOUR-COIN EXPLORATION

Exploration of the Trout Bay property in the Red Lake area was extensively pursued during the past year. Geochemical survey coverage was extended outlining several zones of heavy metals, including copper, zinc and lead. Some zones were tested with inconclusive results. Turam and Horizontal Loop electromagnetic geophysics were introduced over some of these geochemical zones and diamond drilling will be carried out in 1969 to particularly test those areas where geochemical and geophysical anomalous sections were coincident in location.

Continued diamond drilling was carried out on the base metal deposit discovered in the fall of 1967. This drilling program found the deposit to be of limited size, but added somewhat to previous information, both with respect to the outline of the deposit and geological conditions. The zone has been calculated to contain some 125,000 tons averaging 1.50% copper, 7.86% zinc, 0.24% lead and 1.70 ounces silver per ton. The gross metal value of this deposit is approximately \$5,000,000. Preliminary metallurgical testing indicates high recoveries of the metals are attainable, and feasibility studies are being conducted. The very existence of this small high grade deposit, added to that found in 1960, warrants further detailed exploration of the property. In addition to diamond drilling of the geochemical/geophysical areas mentioned above, intense investigation of other airborne geophysical anomalous zones within this large claim group will be carried out.

The discovery of the Selco base metal deposit in the Confederation Lake area which is a continuance of the Red Lake greenstone belt, and smaller finds between the Selco deposit and the Cochenour-Coin Trout Bay deposit, suggests a promising future for a base metal mining district is becoming a real possibility. No doubt transportation will be improved and with milling facilities established in the area, the economic feasibility of smaller deposits will be realized.

COCHENOUR EXPLORATIONS LIMITED

This company began its program of base metal exploration in the Red Lake greenstone belt in 1966, following an aerial geophysical survey conducted over the area. Continued exploration efforts have been stimulated by the base metal deposit on the Trout Bay property and the more recent discovery of a major base metal deposit by Selco Explorations in the Confederation Lake area some 40 miles east of Red Lake.

During 1968, four diamond drill holes were completed to test E.M. anomalies, and although no economic concentration of metal was present, sulphide mineralization was encountered in each case.

Following the successful application of soil sampling geochemistry on the Cochenour-Coin Trout Bay group, reconnaissance surveys were undertaken on three claim groups of Cochenour Explorations, two of which produced interesting results. Further exploration will be done on these areas in the 1969 field season.

We have completed additional input E.M. airborne surveys flown over areas adjoining claims held and the staking of claims to cover the new anomalous areas was done in early 1969. Cochenour Explorations also acquired a 50 claim group by staking in the Confederation Lake area.

Ground exploration follow up will be carried out on the new areas staked both in the Red Lake and Confederation Lake groups during the year.

TOUCHDOWN PROJECT

"Touchdown" is a combined exploration project of Selco Exploration Company Limited (60%), Cochenour Willans Gold Mines, Limited (32%), and Coin Lake Gold Mines Limited (8%) over an area in the south-east part of the Red Lake greenstone belt. Airborne input E.M. and magnetometer surveys have been completed and ground follow-up exploration is underway. Approximately 440 claims have been staked for this project.

COCHENOUR WILLANS GOLD MINES, LIMITED

FISHER SYNDICATE

Participation in this prospecting and exploration syndicate was continued in 1968. The syndicate is active in Saskatchewan where it has acquired some 40,000 acres of claim blocks to cover wide spread occurrences of copper and nickel found in association with some large gabbroic intrusives. In 1968 several short prospect diamond drill holes were completed to test surface occurrences. The holes encountered encouraging mineralization over substantial widths. An I.P. survey was conducted and several drilling targets have been located. These will be explored in the 1969 field season and your company will continue with its participation.

APPRECIATION:

In conclusion, I wish to point out that while the operation has reflected serious losses, the reduction in operating costs is remarkable, notwithstanding the constant pressure of inflation across-the-board, and reflects the efforts, abilities and commitment of your employees to the goals of the company to bring the operation back into an economic situation.

To a capable and skilled working force and competent staff who have accepted more than the normal amount of responsibilities during the year, I express my sincere thanks.

Respectfully submitted,

J. E. J. FAHLGREN,
General Manager.

April 25th, 1969,
COCHENOUR, Ontario.

Annco Mines Limited

(Incorporated under the laws of Ontario)

Balance Sheet — December 31, 1968

(with comparative figures at December 31, 1967)

ASSETS

	1968	1967
CURRENT ASSETS		
Cash	\$ 3,139	\$ 1,829
Estimated Emergency Gold Mining Assistance receivable	35,259	70,702
	<u>38,398</u>	<u>72,531</u>
INVESTMENT IN SHARES OF AFFILIATED COMPANY, WILMAR MINES LIMITED, at cost	92,914	92,914
MINING CLAIMS ACQUIRED BY THE ISSUE OF 1,166,663 SHARES OF THE CAPITAL STOCK OF THE COMPANY, valued at	58,333	58,333
DEFERRED DEVELOPMENT	545,064	545,064
Less amortization	327,735	251,787
	<u>217,329</u>	<u>293,277</u>
	<u>\$ 406,974</u>	<u>\$ 517,055</u>

LIABILITIES

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 1,500	\$ 1,000
Payable to parent company, Cochenour Willans Gold Mines, Limited	241,818	263,764
	<u>243,318</u>	<u>264,764</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK (see note)		
Authorized		
3,000,000 Shares, par value \$1 each		
Issued		
2,906,668 Shares	2,906,668	2,906,668
Deduct discount thereon	<u>2,192,330</u>	<u>2,192,330</u>
	714,338	714,338
DEFICIT	550,682	462,047
	<u>163,656</u>	<u>252,291</u>
	<u>\$ 406,974</u>	<u>\$ 517,055</u>

Approved by the Board:

E. C. COCHENOUR, Director.

J. E. J. FAHLGREN, Director.

AUDITORS' REPORT

To the Shareholders of
Annco Mines Limited

We have examined the balance sheet of Annco Mines Limited as at December 31, 1968 and the statements of income, deficit and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1968 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Fort William, Canada,
February 3, 1969.

THORNE, GUNN, HELLIWELL & CHRISTENSON,
Chartered Accountants.

Annco Mines Limited

Statement of Income

Year ended December 31, 1968

(with comparative figures for 1967)

	1968	1967
REVENUE		
Bullion production	\$ 359,206	\$ 570,465
OPERATING EXPENSES		
Development	5,695	87,963
Mining	242,040	368,005
Milling	79,697	110,186
Shipping and marketing	2,478	4,916
Mine general	39,834	79,635
Administrative	1,754	4,906
Directors' fees	250	350
	371,748	655,961
Less estimated Emergency Gold Mining Assistance	97,582	154,980
	274,166	500,981
	85,040	69,484
OTHER EXPENSES		
Charge from parent company for use of plant	97,727	139,734
Amortization of deferred development	75,948	108,593
	173,675	248,327
LOSS FOR THE YEAR	\$ 88,635	\$ 178,843

Statement of Deficit

Year ended December 31, 1968

(with comparative figures for 1967)

	1968	1967
Deficit at beginning of year	\$ 462,047	\$ 349,385
Loss for the year	88,635	178,843
	550,682	528,228
Adjustment of estimated Emergency Gold Mining Assistance of a previous year		66,181
DEFICIT AT END OF YEAR	\$ 550,682	\$ 462,047

Annco Mines Limited

Statement of Source and Application of Funds

Year ended December 31, 1968
(with comparative figures for 1967)

	1968	1967
SOURCE OF FUNDS		
Adjustment of Emergency Gold Mining Assistance of a previous year		\$ 66,181
APPLICATION OF FUNDS		
Operations		
Loss for the year	\$ 88,635	178,843
Deduct amortization of deferred development	75,948	108,593
	<u>12,687</u>	<u>70,250</u>
DECREASE IN WORKING CAPITAL POSITION	12,687	4,069
WORKING CAPITAL DEFICIENCY AT BEGINNING OF YEAR	192,233	188,164
WORKING CAPITAL DEFICIENCY AT END OF YEAR	<u>\$ 204,920</u>	<u>\$ 192,233</u>

Note to Financial Statements

Year ended December 31, 1968

CAPITAL STOCK

At December 31, 1968, Martin-McNeely Mines Limited, under the terms of certain agreements, had options to subscribe for 93,332 shares of the company at \$1 per share.

Wilmar Mines Limited

(Incorporated under the laws of Ontario)

Balance Sheet — December 31, 1968

(with comparative figures at December 31, 1967)

ASSETS

	1968	1967
CURRENT ASSETS		
Cash	\$ 1,954	\$ 3,062
Estimated Emergency Gold Mining Assistance receivable	31,658	22,094
Account receivable		100
	<u>33,612</u>	<u>25,256</u>
FIXED ASSETS		
Equipment, at cost	10,284	10,284
Less accumulated depreciation	1,543	
	<u>8,741</u>	<u>10,284</u>
Mining claims, acquired by the issue of 1,000,000 shares of capital stock of the company, valued at \$100,000 less claims and surface rights sold	42,874	42,874
	<u>51,615</u>	<u>53,158</u>
OTHER ASSETS		
Deferred development, at cost less amortization	1,310,078	1,348,874
Incorporation and organization expenses	3,596	3,596
	<u>1,313,674</u>	<u>1,352,470</u>
	<u>\$1,398,901</u>	<u>\$1,430,884</u>

LIABILITIES

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 1,520	\$ 250
Advances from shareholders		
Cochenour Willans Gold Mines, Limited	214,437	110,749
Martin-McNeely Mines Limited	20,000	20,000
	<u>235,957</u>	<u>130,999</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK		
Authorized		
3,000,000 Shares, par value 95¢ each		
Issued		
3,000,000 Shares	2,850,000	2,850,000
Deduct discount thereon (net)	1,516,669	1,516,669
	<u>1,333,331</u>	<u>1,333,331</u>
DEFICIT	170,387	33,446
	<u>1,162,944</u>	<u>1,299,885</u>
Approved by the Board:	<u>\$1,398,901</u>	<u>\$1,430,884</u>
E. C. COCHENOUR, Director.		
J. E. J. FAHLGREN, Director.		

AUDITORS' REPORT

To the Shareholders of
Wilmar Mines Limited

We have examined the balance sheet of Wilmar Mines Limited as at December 31, 1968 and the statements of income, deficit and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1968 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Fort William, Canada,
February 3, 1969.

THORNE, GUNN, HELLIWELL & CHRISTENSON,
Chartered Accountants.

Wilmar Mines Limited

Statement of Income

Year ended December 31, 1968
(with comparative figures for 1967)

	1968	1967
REVENUE		
Bullion production	\$ 247,831	\$ 89,076
OPERATING EXPENSES		
Development	4,366	863
Mining	192,833	59,947
Milling	79,971	23,824
Shipping and marketing	1,456	1,408
Mine general	39,971	17,218
Administrative	2,053	2,214
Directors' fees	250	325
	320,900	105,799
Less estimated Emergency Gold Mining Assistance	63,752	22,094
	257,148	83,705
	(9,317)	5,371
OTHER EXPENSES		
Depreciation	1,543	
Charge from parent company for use of plant	70,045	21,565
Amortization of deferred development	56,036	17,252
	127,624	38,817
LOSS FOR THE YEAR	\$ 136,941	\$ 33,446

Statement of Deficit

Year ended December 31, 1968
(with comparative figures for 1967)

	1968	1967
Balance at beginning of year	\$ 33,446	
Loss for the year	136,941	\$ 33,446
BALANCE AT END OF YEAR	\$ 170,387	\$ 33,446

Wilmar Mines Limited

Statement of Source and Application of Funds

Year ended December 31, 1968
(with comparative figures for 1967)

	1968	1967
	<u> </u>	<u> </u>
SOURCE OF FUNDS		
Sale of surface rights		\$ 100
		<u> </u>
APPLICATION OF FUNDS		
Operations		
Loss for the year	\$ 136,941	33,446
	<u> </u>	<u> </u>
Deduct		
Depreciation	1,543	
Amortization of deferred development	56,036	17,252
	<u> </u>	<u> </u>
	57,579	17,252
	<u> </u>	<u> </u>
	79,362	16,194
Deferred development expenditures	17,240	5,496
	<u> </u>	<u> </u>
	96,602	21,690
	<u> </u>	<u> </u>
DECREASE IN WORKING CAPITAL POSITION	96,602	21,590
WORKING CAPITAL DEFICIENCY AT BEGINNING OF YEAR	105,743	84,153
	<u> </u>	<u> </u>
WORKING CAPITAL DEFICIENCY AT END OF YEAR	\$ 202,345	\$ 105,743
	<u> </u>	<u> </u>

Consolidated Marcus Gold Mines Limited

(Incorporated under the laws of Ontario)

Balance Sheet — December 31, 1968

(with comparative figures at December 31, 1967)

ASSETS		1968	1967
CURRENT ASSETS			
Cash		\$ 135	\$ 13
MINING CLAIMS, acquired by the issue of 2,999,995 shares of the capital stock of the company, valued at		299,999	299,999
OTHER ASSETS			
Deferred expenditures		114,634	112,001
Incorporation and organization expenses		3,795	3,795
		118,429	115,796
		<u>\$ 418,563</u>	<u>\$ 415,808</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities		\$ 200	\$ 200
Payable to Cochenour Willans Gold Mines, Limited with respect to incorporation and organization of the company and transfer of the mining claims		4,539	4,539
		4,739	4,739
FUNDS ADVANCES OR EXPENDED BY COCHENOUR WILLANS GOLD MINES, LIMITED since the inception of the company for exploration, development and administrative expenses (note 1)		33,257	30,502
SHAREHOLDERS' EQUITY			
CAPITAL STOCK (note 2)			
Authorized			
4,000,000 Shares of \$1 each			
Issued or to be issued			
3,094,272 Shares		3,094,272	3,094,272
Deduct discount thereon		2,713,705	2,713,705
		380,567	380,567
Approved by the Board:		<u>\$ 418,563</u>	<u>\$ 415,808</u>
E. C. COCHENOUR, Director.			
J. E. J. FAHLGREN, Director.			

AUDITORS' REPORT

To the Shareholders of
Consolidated Marcus Gold Mines Limited

We have examined the balance sheet of Consolidated Marcus Gold Mines Limited as at December 31, 1968 and the statements of deferred expenditures and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1968 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Fort William, Canada,
February 3, 1969.

THORNE, GUNN, HELLIWELL & CHRISTENSON,
Chartered Accountants.

Consolidated Marcus Gold Mines Limited

Statement of Deferred Expenditures

Year Ended December 31, 1968

(with comparative figures for 1967)

	1968	1967
	<u> </u>	<u> </u>
BALANCE AT BEGINNING OF YEAR	\$ 112,001	\$ 110,072
ADMINISTRATIVE		
Acreage and municipal taxes	306	304
Annual report	744	487
Audit	200	200
Directors' fees	120	150
General expense	114	25
Legal fees	50	
Stock exchange fees	100	100
Taxes and government fees	30	10
Transfer agents' fees and expenses	969	653
	<u>2,633</u>	<u>1,929</u>
BALANCE AT END OF YEAR	<u>\$ 114,634</u>	<u>\$ 112,001</u>

Statement of Source and Application of Funds

Year Ended December 31, 1968

(with comparative figures for 1967)

	1968	1967
	<u> </u>	<u> </u>
SOURCE OF FUNDS		
Advances from Cochenour Willans Gold Mines, Limited	\$ 2,755	\$ 1,801
APPLICATION OF FUNDS		
Deferred expenditures	2,633	1,929
INCREASE (DECREASE) IN WORKING CAPITAL POSITION	122	(128)
WORKING CAPITAL DEFICIENCY AT BEGINNING OF YEAR	4,726	4,598
WORKING CAPITAL DEFICIENCY AT END OF YEAR	<u>\$ 4,604</u>	<u>\$ 4,726</u>

Consolidated Marcus Gold Mines Limited

Notes to Financial Statements

Year Ended December 31, 1968

1. FUNDS ADVANCED OR EXPENDED BY COCHENOUR WILLANS GOLD MINES, LIMITED:

Under the terms of the agreement whereby the company acquired its mining claims, as amended August 15, 1961, 1,999,995 escrowed shares of the capital stock of the company were issued to Cochenour Willans Gold Mines, Limited, of which 1,750,000 shares have been released from escrow and the remaining 249,995 shares are to be released when Cochenour Willans Gold Mines, Limited has caused the company to bring the mining claims into production. The company also agreed to repay to Cochenour Willans Gold Mines, Limited, after the mining claims have been brought into production and before payment of any dividends, certain moneys expended by Cochenour Willans Gold Mines, Limited, and all moneys advanced by it together with simple interest thereon at the rate of 4% per annum to the date of payment. At December 31, 1968 such expenditures and advances amounted to \$75,056, of which \$41,799 has not been provided for in the accompanying balance sheet.

2. CAPITAL STOCK:

Under the terms of an agreement dated January 17, 1966, Cochenour Willans Gold Mines, Limited is committed to expend \$25,020 on prospecting, exploration and development within approximately one year for which it is to receive 41,700 shares of the company valued at 60¢ per share. As at December 31, 1968, Cochenour Willans Gold Mines, Limited had expended \$20,563 and was entitled to receive 34,272 shares.

It is expected that this agreement will be extended.

Cochenour Explorations Limited

(Incorporated as a private company under the laws of Ontario)

Balance Sheet — December 31, 1968

(with comparative figures at December 31, 1967)

ASSETS

	1968	1967
CURRENT ASSETS		
Cash	\$ 519	\$ 9,697
Receivable from shareholder	1,000	1,000
	<u>1,519</u>	<u>10,697</u>
FIXED ASSETS		
Equipment, at cost	4,755	4,755
Mining claims, acquired for 249,994 shares of capital stock valued at \$249,994 and \$1,000 cash	250,994	250,994
	<u>255,749</u>	<u>255,749</u>
DEFERRED EXPLORATION EXPENDITURES	284,907	273,921
	<u>\$ 542,175</u>	<u>\$ 540,367</u>

LIABILITIES

CURRENT LIABILITIES		
Accounts payable and accrued liabilities		
Cochenour Willans Gold Mines, Limited	\$ 2,460	\$ 154
Other	250	250
	<u>2,710</u>	<u>404</u>
ADVANCES FROM SHAREHOLDERS (see note)		
Cochenour Willans Gold Mines, Limited	25,500	25,500
Other	24,500	24,500
	<u>50,000</u>	<u>50,000</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK		
Authorized and issued		
500,000 Shares, par value \$1 each	500,000	500,000
DEFICIT	10,535	10,037
	<u>489,465</u>	<u>489,963</u>
	<u>\$ 542,175</u>	<u>\$ 540,367</u>

Approved by the Board:

E. C. COCHENOUR, Director.

J. E. J. FAHLGREN, Director.

AUDITORS' REPORT

To the Shareholders of
Cochenour Explorations Limited

We have examined the balance sheet of Cochenour Explorations Limited as at December 31, 1968 and the statements of deferred exploration expenditures, administrative expenses, deficit and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1968 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Fort William, Canada,
February 4, 1969.

THORNE, GUNN, HELLIWELL & CHRISTENSON,
Chartered Accountants.

Cochenour Explorations Limited

Statement of Deferred Exploration Expenditures

Year ended December 31, 1968
(with comparative figures for 1967)

	1968	1967
BALANCE AT BEGINNING OF YEAR	\$ 273,921	\$ 219,262
Geophysical surveys		6,120
Government fees and taxes	135	142
Engineers', geologists' and consultants' fees and expenses.....	65	1,000
Diamond drilling	8,538	21,613
Assays	84	207
General exploration	2,164	25,577
	<u>10,986</u>	<u>54,659</u>
BALANCE AT END OF YEAR	<u>\$ 284,907</u>	<u>\$ 273,921</u>

Statement of Administrative Expenses

Year ended December 31, 1968
(with comparative figures for 1967)

	1968	1967
Audit	\$ 250	\$ 250
Legal	60	139
Government fees and taxes	109	60
Travel	77	82
Sundry	2	
ADMINISTRATIVE EXPENSES TRANSFERRED TO DEFICIT	<u>\$ 498</u>	<u>\$ 531</u>

Statement of Deficit

Year ended December 31, 1968
(with comparative figures for 1967)

	1968	1967
BALANCE AT BEGINNING OF YEAR	\$ 10,037	\$ 9,506
Administrative expenses	498	531
BALANCE AT END OF YEAR	<u>\$ 10,535</u>	<u>\$ 10,037</u>

Cochenour Explorations Limited

Statement of Source and Application of Funds

Year ended December 31, 1968
(with comparative figures for 1967)

	1968	1967
SOURCE OF FUNDS		
Sale of fixed assets		\$ 215
Advances from shareholders		50,000
APPLICATION OF FUNDS		
Additions to fixed assets		1,225
Deferred exploration expenditures	\$ 10,986	54,659
Administrative expenses	498	531
	<u>11,484</u>	<u>56,415</u>
DECREASE IN WORKING CAPITAL POSITION	11,484	6,200
WORKING CAPITAL AT BEGINNING OF YEAR	10,293	16,493
WORKING CAPITAL DEFICIENCY AT END OF YEAR	<u>\$ (1,191)</u>	<u>\$ 10,293</u>

Note to Financial Statements

Year ended December 31, 1968

ADVANCES FROM SHAREHOLDERS

Under the terms of an agreement dated January 21, 1966, the company may request advances from its shareholders to a maximum of \$250,000 in proportion to their shareholdings.

At December 31, 1968 advances under this agreement totalled \$50,000.

Subsequent to December 31, 1968, the company has requested additional advances totalling \$50,000.